



CALIFORNIA  
AMERICAN WATER

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January 6, 2011

Monterey Peninsula Water Management District  
5 Harris Court, Building G  
Monterey, CA 93942  
Attn: Darby Fuerst, General Manager

Re: Reimbursement Agreement for Mitigation and ASR Activity Expenses; Notice of Intent to Terminate Reimbursement Agreement for Convenience; Request to Meet and Confer on Modification to Reimbursement Agreement.

Dear Mr. Fuerst:

As you know, we are very disappointed with the Proposed Decision issued by the assigned administrative law judge on December 21, 2010 rejecting the all-party settlement relating to the Water Management District's User Fee. Approval of the settlement would ensure on-going funding of the important Mitigation Program currently administered by the Water Management District as well as the Aquifer Storage and Recovery (ASR) Program. As we work together to secure an acceptable final decision, it is appropriate that we also discuss the path forward in the event a decision is further delayed or is not consistent with the settlement agreement.

Section VII of the Reimbursement Agreement allows either party to terminate the Reimbursement Agreement for convenience. In light of the proposed decision and the uncertain schedule on which the Commission may act on the proposed decision, California American Water hereby invokes its right to terminate for convenience effective 90 days from the date of this letter.

We believe California American Water and the Water Management District have worked successfully as partners implementing these programs and we recognize the importance of the uninterrupted continuation of these programs. Because of the uncertain schedule at the Commission and the termination provisions of the Reimbursement Agreement, the Reimbursement Agreement may terminate as early as February 24<sup>th</sup> based on the CPUC's schedule, as late as April 6<sup>th</sup>, 90

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days from now. We would like to schedule meetings immediately to discuss all avenues for continued support and operation of these programs.

Thank you for your attention to this letter. I will contact you to schedule meetings to further discuss these important issues.

Best Regards,



Robert G. MacLean  
President  
California American Water